View metadata, citation and similar papers at core.ac.uk

brought to you by CORE

provided by Repositório da Universidade Nova de Lisboa

A Work Project, presented as part of the requirements for the Award of a Master Degree in Management from the NOVA – School of Business and Economics.

Amazon and the US Food Retailing Industry in 2018

Max Preuss

Student #: 4090

A Project carried out on the Master in Management Program,

under the supervision of:

Luís Almeida Costa

January 2019

Table of Content

Acknowledgements

First and foremost, I would like to sincerely thank my supervisor, Professor Luís Almeida Costa, for his professional guidance during this work project. His mentorship and expertise were not only decisive to write this work project, but also enabled me to experience a steep learning curve. Secondly, I would like to thank Hermínia Martins, who works at the Nova SBE Library, for her constant assistance related to accessing literature. All her contributions were essential to get necessary information for the case. I'd also like to express my gratitude to my parents, who enabled me to ride this exiting journey in Portugal, which has been a great experience for me - both academically and personally.

Abstract

This work project presents a case study, which describes Amazon's effort to establish a footprint on United States' food retailing landscape. The landscape can be described as being highly competitive and companies leverage on new technologies and private label products to increase revenues and foster customer loyalty.

Following the presentation of the case, a case analysis has been conducted that focuses on the US food retailing industry's structure, Amazon's competitive advantages and business model and the company's potential disruptive innovations. So far, such innovations that touch various parts of Amazon's Omnichannel offering have taken place. The aforementioned innovations mainly thrive to improve the customer experience and convenience as well as the speed of process. In general, they allow Amazon to pursue a dual advantages approach regarding differentiation and cost leadership.

Keywords: Food Retailing, Industry Analysis, Company Analysis, Disruptive Innovation

Introduction

This work project "Amazon and the US Food Retailing Industry in 2018" presents a case study about Amazon's attempt to conquer America's food retailing industry. The first part of the work project, the case, starts by providing a detailed market overview, which focuses on the demand side (size, segments, customer & trends) as well as on the competitive environment. The next section presents Amazon as a company and gives a brief introduction into its formats and operations. The second part of the work project, the teaching note, entails an analysis in which different management frameworks have been applied. These frameworks concern the evaluation of the intensity of competition, of Amazon's business model and of the potential disruptiveness of Amazon's process and service innovations. It is concluded that through the acquisition of Whole Foods, Amazon established a strong Omnichannel presence in America's highly competitive food retailing landscape. The acquisition, in combination with several other potential disruptive moves, namely the introduction of Amazon Go and Amazon Flex and the usage of Amazon's scalable platform, foster Amazon's dual approach of cost leadership and differentiation. They also enable to enhance the overall shopping experience and convenience for customers. Two recommendations are presented that concern the inclusion of further cities into the Amazon Fresh offering as well as the expansion of private label products for all grocery formats.

This case study can be used in Strategy courses at Master level and at Executive programs. It presents information in a way that allows for the application of frameworks related to industry- and business model analysis as well as disruptive innovations. All the information for this case study was obtained through public sources such as existing case studies, consulting companies industry reports, management consultancies' industry reports and latest newspaper articles from well-established sources.

Case

1. The American Food Retailing Industry: Overview

Segments

The offline food retailing landscape can be segmented into three categories: First, traditional grocery stores (traditional supermarkets, super warehouses, fresh markets and limited assortment markets) that accumulate for ca. 41.000 stores and a market share of 44%. The entire segments' sales decreased by 4.1% to 543 bn US$ in 2016, causing a 1.2% market share decline. Second, convenience stores that currently account for 168.000 stores (with and without gas), and that take a market share of 16%. In 2016, convenience stores experienced sales gains of 3.2% that mainly derived from an expansion in the store's fresh and prepared food assortment. Yet, the number of stores as well as the market share remained constant in comparison to 2015. Third, non-traditional grocery stores (Supercenters/Mass, Wholesale Clubs, Drugstores, Dollarstores and eCommerce) account for a number of 67.000 stores in the country, generate 480 bn US$ in sales (a 2.6% increase in comparison to 2016) and gain a market share of 40%.

The rising star among the non-traditional grocery stores is eCommerce as more and more retailers currently accelerate their digital strategies and grow its Omnichannel capabilities (Willard Bishop Analytics, 2017). As of 2018, eCommerce reached 17.5bn US$, an increase of 23% to 2017 and roughly gained a 4% share (Statista, 2018a). Experts estimate eCommerce to be a 100 bn US$ format in 2025 that captures 20% of overall food retail sales (19. Forbes 2018). In terms of forecasted annual growth rates for 2021, the formats eCommerce (25%), limited assortment (8%) and fresh format (4.8%) are expected to perform best. In contrast, traditional supermarkets and supercenters/mass expected growth numbers are negative, -0.3% and -5.2% respectively (Willard Bishop Analytics, 2017). (See Exhibit 1,2,3)

Market Size

The total food & grocery retail industry in the US generated revenues of 1.215,7 bn US$ in 2017 which translates into a compound annual growth rate (CAGR) of 3.2% between 2013-2017. From this 1.215 bn US$, food retail claims 850 bn US$, or 70%, while beverages account for 230 bn US$ (19%), Tabaco account for roughly 105 bn US$ (9%) and household products account for 36 bn US$ (3%) (MarketLine, 2018). The industry currently employs 2.7 million people, operates through 270.000 retail spaces (Ibis World, 2018) and offers net margins of 2.5% industry-wide (Cotte and Mark, 2018). These margins are significantly smaller than the average US industry of 10.4% and are partially a result of the longest period of decreasing food prices during the last 58 years (Alvarez et al., 2017).

Customer Overview

The American shopper landscape is split into two groups - single-person household shoppers (24%) and multi-person household shoppers (76%). Both types of households spend on average 109$ weekly (a number that increased by 16$ since 2007) and undertake on average 1.5 trips per week (Hartmann Group, 2017). Furthermore, grocery shopping expenditures account for 13% of the disposable income of American households (USDA, 2018a). As of today, 25% of US citizens use online-only retailers, a percentage that doubled during the last two years (Hartmann Group, 2017). Shoppers nowadays can be described as seekers for value, meaning that they follow good grocery deals, private brands and prefer cooking at home. However, this value-seeking behavior does not lead to sacrificing on food quality - customers would rather choose a grocery store not closest to their homes if it offers good prices for a good-enough quality (Strategy&, 2012).

Trends

eCommerce and technology, entry of discounter and private labels and changing eating patterns portray the three main trends that currently shape the food retailing landscape in the United States and consequently have an impact on the industry's competition.

Changing Eating Patterns

Changing eating patterns are closely connected to customer's rising disposable income levels, which is due to the United States' strong economy (Duff & Phelps, 2016). The increase of purchasing power in combination with shifting purchase drivers lead to an increasing demand of all-natural and organic products. The aforementioned purchase driver are no longer solely shaped by traditional drivers like taste, price and convenience, but also by evolving factors like health & wellness, safety, social impact, experience and transparency (Deloitte, 2016). In terms of numbers, the CAGR of sales of organic foods between 1997 and 2015 of 15% strongly outperforms the 4% CAGR of total food sales for the same period (Alvarez et al., 2017). Organic food sales in the United States generated approximately 47 bn US$ in 2017, a natural consequence of the fact that 44% of American citizens try to actively include organic food products in their daily diary (Statista, 2018c). This trend seems to have a negative impact on the sales numbers of the 25 top producers of consumer packaged food products, that decreased by 18 bn US$ between 2010 and 2015 (Alvarez et al., 2017).

The rise of all-natural and organic products has also been beneficial for Organic Farmer's Markets, whose numbers rose from 1755 in 1994 to 8144 in 2013 (364% increase). Yet, only 1.6% of organic sales is processed by such markets, the rest still in the hands of natural food supermarkets and chains (USDA, 2018b). In general, customer's demand for organic and natural products lead industry players like Walmart and Kroger to reconsider their assortment, so that they started increasing their selection of such goods. Additionally, these companies also started to offer prepared foods and made-to-order food, to gain shares from restaurants and fast-food chains, an industry that still catches 43% of households' food expenditures. (The Atlantic, 2017; Business Insider, 2017).

eCommerce and Technology

The next trend concerns technology that inspires a recently small, but strongly growing segment - online grocery shopping and home delivery. Nowadays, it accumulates for 17.5 bn

US$ sales and estimates predict this segment to be a 30 bn US$ industry in 2021, as more and more consumer use the convenience of ordering online and receiving the same-day deliveries at their doorsteps (Statista, 2018a). In terms of numbers, e-Grocery orders are 4-5 times larger than brick-and-mortar orders, value on average 150$ and are mainly for "stocking up". Households that shop both online and offline at one retailer spend 29% more than households that solely shop offline (Willard Bishops Analytics, 2017).

In terms of technological advancements, Kroger is currently rolling out digital tags, called advanced display for grocery environment (EDGE), that eliminate the need for printed tags. This technology digitally displays pricing and nutritional information and will eventually be able to communicate with customers' smartphones (Business Insider, 2018a). In general, marketers frequently use newest technologies in an attempt to fasten the grocery check-out process. Thus, they enable customers to self-check or offer the possibility to buy online and pick-up in store (Future Stores, 2018).

It is unlikely, however, that online offers will take over the grocery market in the next years completely, because a) the biggest industry players in traditional brick-and-mortar like Walmart and Kroger invest to grow the online segment and thus depict pace (Forbes, 2018a) and b) over all 98% of customers still shop offline and value the advantage of being able to feel and touch (Statista, 2017a).

Entry of Discounter & Private Labels

Finally, the last trend is related to the entry of discount retailers like Aldi and Lidl in the US grocery discount market, a segment that is forecasted to grow by 8%-10% through 2020, thereby strongly outperforming the traditional retail segment. Aldi, a German discounter, recently announced to spend 1.6 bn US$ in remodeling the 1600 existent stores and open 400 new ones in 2018 only (Bain & Company, 2017). Lidl, another German discount retailer and strong competitor of Aldi uses a seemingly similar expansion strategy into the United States as it wants to open 100 stores in 2018 alone (Bloomberg, 2017). Even though discounters (19%)

face lower gross margins than traditional supermarkets (31%) and hypermarkets (26.5%), their lower operating and labor cost make them more profitable in general (see Exhibit 5).

The rise of these discounters is closely connected to industry-wide price cuts. A closer look at the Food Price Index supports this action - the percentage change has been -1.3 and -0.2 for the generic category 'food at home' in 2016 and 2017 respectively (USDA, 2018c). The rise of discounters, however, is also closely connected to the rise of private labels, as discounter's assortments consist up to 90% of private brands, hereby catching the price sensitive customer. Nowadays, private label sells already account for 17% of total grocery sales and faces increasing demand (FGRT, 2017). Already 83% of Walmart's customers purchase the company's private label products, which typically offer good quality for low prices. The entire sector is forecasted to portray a 37 bn US$ industry in 2021 which leads traditional retail channels to invest more heavily in categories where consumers select private labels over branded products (Forbes, 2017).

Competitive Landscape

As by now, the biggest player in the offline industry is Walmart, which generates a revenue of 266.2 bn US$ and a market share of 21.9%. The giant is followed by Kroger (9.7%) and Costco (5.4%) (see Exhibit 4) (Statista, 2018b). In terms of competition measures, the four-firm concentration ratio (CR4) grew from 16.8% in 1992 to 36.4% in 2013 and the current Herfindahl Index (HHI) is 5.5 (USDA, 2017). Within the online grocery segment, Amazon faces the biggest share of 12.5%, followed by Walmart and Kroger (see exhibit 10).

In general, competitors operate with fairly high fixed costs through big retail spaces, high levels of inventory and increasing wage levels (McKinsey and Company, 2017) Regarding positioning, the customer perception map (see Exhibit 6) reveals that industry players already occupy different positions along the dimensions offer (what customer get) and value (how much customer pay). Still, they compete on the same dimensions, namely "requiring increasing merchandising and marketing expertise, heightened understanding of and attention to a new

shopper mind-set, innovation in all dimensions of retailing and manufacturer collaboration, and a renewed focus on operating costs" (Strategy&, 2012). Due to the fact that the basic product range of competitors is hardly differentiated, big industry players earn additional margins in that they charge slotting fees to list and carry supplier's products (Cotte and Mark, 2018).

The total food retail M&A transaction volume in 2015 accounted for 17 bn US$, whereas, in 2010, such volume accumulated for only 1.64 bn US$ only. In 2015, this dynamic was driven by rather low inflation levels in combination with an attractive lending environment (Duff & Phelps, 2016). The fact that Amazon acquired Whole Foods in 2017 for 13 bn US$ only strengthens this trend. Large industry players like Walmart and Target reacted to Amazon's move in that they acquired or partnered with digital start-ups. Walmart, for example, set up an exclusive contract with Alert Innovation, a tech start-up that that develops automated carts that fulfill grocery pickup orders at stores. Target even spent 550 m US$ to acquire the specialized logistics start-up Shipt, which optimizes same-day delivery (New York Times, 2018).

Furthermore, retailers continuously elaborate on the usage of loyalty programs to intercept a growing customer base and to increase the likelihood of repeat purchases (Times Union, 2018). Thus, the number of memberships in loyalty programs in the US increased by 192% between 2006 and 2016 and accounted for 3.8 billion members (Statista, 2018d). To enhance the customer's shopping experience, traditional retail chains partner up and equip their retail spaces with restaurants, beer and wine bars, ATMs and movie rentals (Forbes, 2018c). Additionally, retailers intensively expanded its Omnichannel services between 2017 and 2018 in an effort to boost convenience (see exhibit 9).

2. The Company - Amazon

Company Overview

Amazon.com, Inc., founded by Jeff Bezos as an online book store in 1994, is headquartered in Seattle, United States and now one of the major global eCommerce retailers. It operates in different industries such as traditional online retail, video & music streaming and web services. Amazon's retailing business model differs from that of many of its competitors as the company sells products through its own retail department store, but also operates an online marketplace for third-party vendors, for whom it offers inventory management, shipping, customer services and payment processing (Wells et al., 2015). Having started as a purely online retailer, the company has begun to subsequently evolve into the offline retail world by opening first brick-and-mortar book stores as well as convenience grocery stores (Oh, 2018).

In 2017, the company employed 575.000 people and operated with a revenue of 178 bn US$, which translates into a net income of 3 bn US$. A closer look at the company's share price development reveals that the company has been growing strongly over the last 5 years - it tripled and is now traded at 1900 US$, leading to a market capitalization of 952 bn US$. (Bloomberg, 2018). In terms of revenues, Food & Beverages currently portrays the smallest e-commerce category for Amazon, yet, the category with the highest growth rate in 2018 (see Exhibit 7).

Amazon claims itself to be the most customer-centric company in the world, where customer can find and purchase whatever they might want in the fields of media, home & garden, electronics, health & beauty, grocery or sport equipment (Amazon.com, 2018a): "If you're competitor-focused, you have to wait until there is a competitor doing something. Being customer-focused allows you to be more pioneering" (US News, 2008). Consequently, the company faces a high popularity among its customer base, mainly due to three dimensions, namely convenience shopping, free shipping and fair prices. Amazon is also widely perceived

as a very innovative company, even the most innovative among all American retailers (Epsilon, 2018; MarketingCharts, 2018).

Amazon Prime, Amazon's loyalty program, arose from the company's focus on customer centricity and enjoys a huge popularity among customer. For a yearly membership fee of 99$, prime members are eligible to free and unlimited next-day shipping, to music- and film streaming services and to the Kindle Lending Library. A full day with special offers, Prime Day, that is only available for Prime Members, has been created in 2015 as well, to also boost new subscriptions. By June 2017, Amazon recorded more than 80 million prime memberships and 64% of America's households had at least one prime account (Kim et al., 2017). In terms of sales, Prime members spend on average 1300$ yearly at Amazon, twice as much as non-Prime members. Interestingly however, not the value of a single shopping basket differs between these two groups, but the shopping frequency (Business Insider, 2018b).

Amazon in Food Retailing

Formats

"Amazon is already the acknowledged leader in digital retail, and it is preparing its assault on food by establishing each of the elements needed to realize a vision of the future of grocery." (Oliver Wyman, 2017) As for now, Amazon offers its customers three different grocery concepts, namely Whole Foods, Amazon Go, and Amazon Fresh. The following paragraph will present these formats in more detail.

Whole Foods

The first concept, Whole Foods, has just been set up through an acquisition recently and allows customers to shop grocery in store. Whole Foods, founded in 1980, is the world's leading retailer of natural and organic foods, with revenues of 16.03 bn US$ in 2017, a profit of 507 million US$ and a 34.4% gross margin (Alvarez et al., 2017). The certified organic grocer sources its products locally or regionally, has its own product processing facilities, own

procurement and roasting operations, as well as 11 specialized distribution centers, focusing on perishable foods (Cotte and Mark, 2018).

Due to the focus on high quality products, advocating environmental care, and healthy eating, Whole Food remained to have one of the industry's highest cost structures - 66% cost of sales. This cost structure also impacted revenue growth rates during the last years negatively (see Exhibit 8). With its 13.7 bn US$ paycheck, Amazon acquired Whole Food's 470 stores, the above-mentioned 11 distribution centers, 89.000 employees and a customer base of 30 million citizens (Alvarez et al., 2017).

After the merger, Amazon started to intensively cut prices - up to 43% on organic and conventionally grown perishables (e.g. apples, bananas, eggs, salmon), and on average approximately 6% for the entire product range, leading to a traffic boost of 25% within the first two days. After the first year, Whole Foods reported a same-store sales increase of 3%, a positive growth number after two subsequent years of declining sales (CNN Business, 2018). Moreover, delivery lockers for pick up and return of online ordered Amazon packages were placed in front of the Whole Food stores and Amazon announced that Prime would become Whole Foods' new loyalty program. Therefore, prime members would get additional 10% off sale items as well as strong discounts on selected best-selling items (Amazon.Com, 2018b). As for now, only 20% of all prime members in the US shop at Whole Foods (Forbes, 2018b). Amazon also announced that it will equip Whole Foods with the collected data so that sourcing, selection and in-store display can be optimized. In terms of Whole Food's product assortment, Amazon added its own electronic devices like Kindle e-readers, Echo smart speaker or the Fire TV stick (Alvarez et al., 2017). Amazon also recently started to test two-hour doorstep delivery directly from Whole Foods stores in an effort to boost online sales and expand the Prime Now offer. In this case, Whole Foods stores are used as depots so that Prime Now deliveries do not need to be started from Amazon's warehouses, thereby saving time and enabling fast delivery (Business Insider, 2018c).

Amazon Fresh

This membership-based format for a monthly fee of 14.99$ has been introduced in 2007 to target online shoppers who can select from over 100.000 grocery products and will receive them either at their door front or at selected pickup points across the country. This service's offers and assortment are accessible from Amazon's general platform Amazon.com. The average size of orders for Amazon Fresh is $40 and the company operates with a gross margin of 6.45% (Cotte and Mark, 2018). The offer is already available in seven cities in the US as well as in London, Tokyo and Munich and is constantly growing. Additionally, all Amazon Prime members are eligible to use Prime Now, which ensures two-hour delivery for every order and also entails selected food products (Amazon.com, 2018c).

Amazon Go

Amazon Go, another newly introduced offline format that is still in testing phase, with four stores across the US so far, is a convenience store. It arose intense media attention as it entails no cashiers and uses a highly innovative check-out process, because products taken by customer from the shelves are captured and billed automatically (The Conversation, 2018). Amazon uses a combination of artificial intelligence, sensors and machine learning to sustain the complexity of the process. The company also established a patent that hedges the technology against immediate imitation (Future Stores, 2018; Business Insider 2018d). Amazon Go, the convenience store whose number should rise to 3000 within the next three years, offers upscale food items like frozen food, sandwiches or prepared meal-kits (Cotte and Mark, 2018).

Operations

In online grocery shopping, retailers particularly face challenges related to last mile delivery - bringing the food orders, in particular those that include perishable products, on time and in a good condition to customers' doorsteps. To handle this, Amazon set a number of operational processes in place. The company both contracted with local and regional suppliers for direct delivery and operated own warehouses, that use state-of-the-art robotics to boost

efficiency. Amazon's total warehouse spaces across the US accumulate to 125 million m2, from which 3 million m2 are dedicated to existing Amazon Fresh operations. One cannot compare traditional warehouses with food distribution centers, as the latter do not only need several temperature settings to stock perishable products, but also certificates from the U.S Food and Drug administration. Next to these well-equipped warehouses, Amazon established a network of sortation centers, hub stations and urban delivery stations. These smaller facilities either carry a limited selection of items or are located in urban areas around the US to speed up the delivery process, especially connected to last mile delivery (Reuters, 2017; Visual Capitalist, 2018).

From these different centers, food packages get delivered using own refrigerated trucks that drive on predetermined and thus, optimized routes (McDonald and Christensen, 2014). Another delivery vehicle is called Amazon Flex. Amazon Flex is an app-based program that offers individuals to become a partner to deliver packages, using self-owned cars. The offer is already available in more than 50 cities across the US (Amazon.com, 2018d). Amazon also introduced Amazon Logistics, which can be seen as a community of Amazon delivery partners. Entrepreneurs can build up their own delivery companies with the assistance of Amazon's technology and logistics experience. Such partners solely deliver Amazon packages and consequently face a stable demand (Amazon.com, 2018e).

In terms of in-store optimization, Amazon integrated a software called "Off the shelves" (OTS) into Whole Foods' supply chain operations. The system allows for faster turnaround and transition of items, as some of these items are moved directly into free shelves without being stored temporarily in storage rooms. This just-in-time operation cuts operational as well as inventory costs and reduces warehouse spaces (Business Insider, 2018e).

Private Labels

While Amazon's private label offerings within the electronic products ranking is already comprehensive and well-established, within the grocery segment, Amazon just started to

develop its grocery assortment. Amazon has already sought trademarks for 24 food segments and already approached private brand manufacturers to build up partnerships (Edge, 2018). As for now, it offers own coffee, a premium meat brand (Single Cow Burger) a line of baby food products (Mama Bear) and just recently introduced Wickedly Prime, which is a line of snacks containing chips and nuts (Grocerydive, 2018). However, it is to mention that currently private label food products portray only 2% of Amazon's entire private label assortment.

Teaching Note

The conducted analysis, which is fully based on the information provided in the case, starts by analyzing the industry. Therefore, it investigates current market conditions and analyzes the intensity of competition. The subsequent analysis, the company analysis, focuses on Amazon's current business model in food retailing. The case analysis finishes by briefly presenting and applying a taxonomy of disruptive innovation to evaluate the "disruptiveness" of Amazon's products, processes and services.

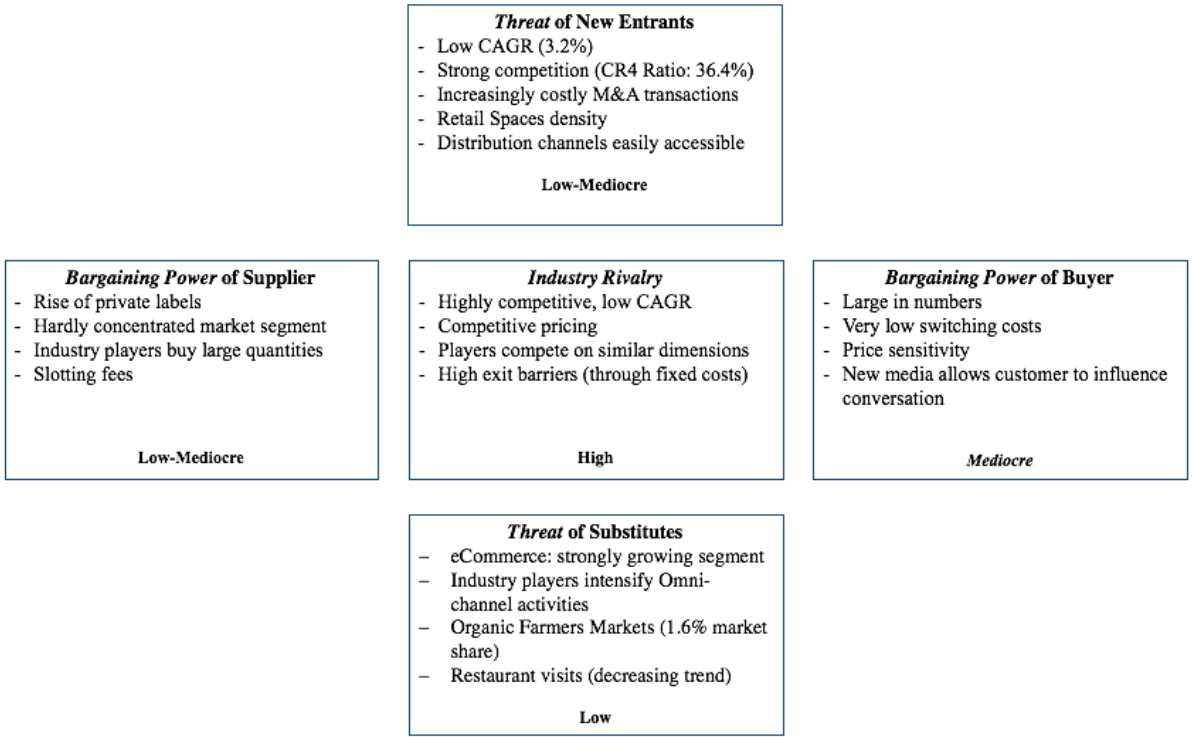
1. Industry Analysis

Even though the American food retailing industry with its trillion US$ in revenues is of a substantial size, it has recently been facing rather small growth rates of 3.2%, which can partially be explained through current industry trends. For example, the rise of discounters and private label products leads companies to aggressive pricing behaviors, which negatively impacts price-cost margins. Additionally, incumbents leverage on technologies and invest in Omnichannel offerings to enhance the overall customer experience and increase loyalty.

To analyze the intensity of competition as well as its profitability and attractiveness, both an industry structure analysis using Porter's five-forces model and an analysis focusing on the current dynamics of competition is conducted. Porter's model is based on the assumption that four forces, namely the threat of new entrants, the threat of substitute products, the bargaining power of suppliers, and the bargaining power of buyers, strongly impact the nature

of competitive interactions among industry players, the industry rivalry. To understand the future development of a market and establish or sustain a lasting competitive advantage, the identification of the strongest force(s) is crucial (Porter, 1979; Porter 2008).

Five-Forces Analysis



A low industry CAGR of 3.2% in a fierce competitive landscape in combination with substantial capital requirements to build up a big retail chain makes this industry unattractive for new entrants that thrive to compete against well-established retail chains. However, rather easy access to distribution channels and customers' low switching cost make single- or small chain markets entries not unlikely. Industry rivalry can be regarded as intensified as well, a result of hardly differentiated product ranges, high exit barriers that arise from capital requirements, and price sensitiveness of customers that leads to price-cutting strategies to enforce loyalty. The US food retailing landscape faces only a weak threat of substitute products. The development of a major potential substitute, eCommerce, is mainly shaped by existing retailers who experience in leveraging their Omnichannel capabilities. Due to the low concentration of the food and beverage manufacturing landscape, the size of quantities bought

by retailers and the application of slotting fees, bargaining power of suppliers can be seen as weak. But, retailers might feel the implicit power of the highly concentrated farm input sector. The number of potential customers in general limits the bargaining power of an individual buyer. However, low switching cost and the fact that a significant fraction of the procurement budget is spent on grocery shopping lead customers to look for fair prices and good deals. Additionally, customers can strongly influence the conversation about food, beverages and retailers through new media capabilities. This leads to the conclusion that the overall bargaining power of buyers is mediocre.

Dynamics of competition

Industry incumbents apply different tactics to sustain an intensified competitive environment, which typically leads to decreasing prices. These tactics can be split into two groups, non-price responses and price responses, which, inter alia, emphasis the establishment of partnerships, the introduction of new products or the usage of simple price cuts. (Rao et al, 2000).

A direct reaction to fierce competition and the expansion of discounters can clearly be seen in industry-wide price cuts of 1.3%. Another price-response that is used among industry leaders is that traditional retailers attempt to offer private labels, thereby competing against the discounter's offers. As for now, already 83% of Walmart's customer purchase the company's private label products, thereby offering good quality for low prices.

Retailer's intensified use of loyalty programs, whose memberships increased by 192% between 2006 - 2016, can be seen as a non-price reaction to strong competition. This effort aims at increasing the likelihood of iterative purchases. Another non-price mechanism is the retail chains' cooperation approach (thereby equipping stores with Wine Bars, ATMs, etc.), which aims at enhancing the entire customer experience. The same intention is followed through retailer's efforts in stocking up their Omnichannel offers. Exhibit 9 reveals that the offering of mobile apps increased by 25% within one year, in-store product scanning and home delivery by 15.8% and 14.9%, respectively. Additionally, the introduction of digital labels that

portray various information such as prices, nutritional information, etc. will eventually allow companies to enhance their dynamic pricing approaches to fully match customer's willingness to pay.

In general, the fact that America's food retailing industry players compete on the same dimensions, forces them to use sophisticated strategies to outperform competitors. The first strategy that can be seen as an attempt of well-capitalized retailers to gain market share, access new channels, leverage sourcing and cut costs is the focus on Mergers & Acquisitions, which experienced a 936% increase of transaction volume between 2010 and 2015. However, this trend of mergers & acquisition is obviously not only about scale economies and new distribution channels, but also about receiving external expertise and knowledge. That is why Walmart and Target recently acquired small, but highly specialized start-ups.

To sum up, the analysis of the industry structure and the dynamics of competition clearly reveals that the competition among the American food retail landscape is intensified. It is unlikely, at least for the foreseeable future, that new entrants or substitutes portray a severe threat to the industry. One can also conclude that the booming eCommerce sector will shift retailers to follow Omnichannel strategies. Additionally, sophisticated strategies like mergers & acquisitions, the employment of new technologies, price cuts and an enhancement of customer experience are used to overcome such intensified competition and to increase market shares.

2. Company Analysis

Competitive Advantage

Companies that operate in industries with a high intensity of competition need to establish a competitive advantage (CA) to create value. Such CA enables companies to outperform competitors and can be acquired through two specific methods, according to Porter. A company can either separate itself from competition if it creates an edge through its cost leadership, which allows to produce products cheaper than the competition without sacrificing

quality. Consequently, a higher profit margin can be achieved. The other method aims at differentiation from competition in that unique product features, unique delivery systems or unique brandings are offered. However, the simultaneous application of both methods, the dual approach, might also be beneficial. Efforts to improve products will heighten the differentiation, which then leads to increasing demands that will eventually impact scale economies positively (Gluck et al., 1980; Christensen et al., 1994; Porter, 1998, Wright et al., 1991).

In order to conquer the US grocery retail landscape, Amazon uses a dual approach: A differentiation strategy that mainly focuses on customer experience and convenience and a cost leadership that aims at providing the differentiation measures extremely cost effective. Amazon has almost already established three different grocery options for its customer - traditional supermarkets through Whole Foods, convenience stores through Amazon Go and online grocery through Amazon Fresh. Thus, it automatically matches the majority of customer's shopping preferences. Connected to the formats are the different integrated services Amazon offers for every of these formats, that also aim to provide maximum convenience for the customer and thus can be seen as differentiation drivers. To name it, the possibility at Amazon Go to choose and pick products from the shelves and leave the store without queuing to process payment. Then, the use of Whole Foods as a place where regular Amazon packages can be picked and returned, so that the walk to the postal office gets redundant and the residence can be combined with grocery shopping. Plus, the possibility to get groceries delivered directly at the doorstep or to designated pick-up locations, already fully packaged, via Amazon Fresh.

In terms of product assortment, an implicit focus on differentiation took place through the acquisition of Whole Foods, United States' first national certified organic chain that sells high quality organic and natural foods. Consequently, Amazon positioned itself strongly within this growing sector.

However, a true differentiator does not lose track of the cost side of the business in order to prevent the premium offer to be attacked by inferior price positioning. Consequently, such companies thrive for (almost) cost parity with closest competitors. The fact that Amazon cut prices at Whole Foods on average by 6%, reduces dependence on established (and thus costly) logistics partners like FedEx through introducing Amazon Flex and Amazon Logistics and applies an off-the-shelves software (OTS), which allows for faster turnaround, thereby cutting inventory and warehouse costs, underlines the company's effort.

Taking all these information into consideration, one can say that Amazon uses a dual approach that focuses both on differentiation and on cost efficiency in different formats and services. This approach helps Amazon to gain competitive advantages and to enforce its main attributes: customer centricity, convenience and comprehensiveness.

Business Model

After this brief characterization of Amazon's positioning within the industry, the next paragraph will analyze how the company is organized to deliver such competitive advantages. To do so, a framework proposed by Professor Karel Cool, in the teaching note of the Case "Under Armour and the Sports Apparel and Footwear Industry in 2008" (Karel Cool, 2018) is used to analyze Amazon's business model. The company's specific resources and actions and their input on the profit drivers price, volume and costs will be investigated.

Brand

The first resource under consideration is Amazon's brand, that faces a high popularity in the market. Key to this achievement is Amazon's customer centricity, an approach deeply anchored within the company. Focusing on consumer needs related to online shopping led Amazon to establish an online store that nearly entails everything a customer could wish for and to introduce a delivery service that delivers within one or two days. These two actions obviously aim to offer a high level of convenience. Additionally, Amazon's strategy for boosting private labels grocery can be seen as mutually beneficial, because the well-trusted

review system can increase private label sales, which will in turn positively impact brand trust and brand recognition. The fact that Amazon is perceived as highly innovative only supports the conclusion that the Amazon brand positively impacts price and volume.

Customer Analytics

A similar positive impact on these profit drivers can be found in the second resource under consideration, Amazon's bulk of customer data, which is already used for Amazon Fresh to compete against traditional retailers in terms of price, selection and service. Amazon's awareness of customers' online and offline behavior and purchase patterns is indeed valuable as it allows the company to apply dynamic pricing in the online world. This means that prices for a specific product might vary for different customers, depending on demand, purchase behavior and competitor pricing. The fact that Amazon will use its bulk of data to optimize in-store display of the Whole Foods market will further enable the company to customize assortment and pricing to fully catch customer's willingness to pay. On the other hand, data from Whole Foods about the performance of competitor's private brands will help Amazon to further understand this grocery segment and improve its own private brand offering.

Amazon Prime

The third resource, Amazon Prime, offers members free and unlimited next-day shipping, access to music- and film streaming services and to the Kindle Lending Library for a yearly membership fee of 99$. Through introducing Prime Day in 2015 exclusively to Prime Members, the company attracts thousands of customers to become a Prime member on that day only. Amazon's announcement of Prime becoming Whole Foods new loyalty program will also boost registration numbers as Whole Foods will continuously provide special offers and deals to Prime members only. In general, the fact that Prime members spend double the amount of non-prime members every year shows again how valuable this loyalty program is to the company. Yet, it is to mention that the increased loyalty and willingness to spend only comes at high costs for Amazon. Especially holding a great selection (which requires a big inventory)

and guaranteeing free and unlimited two-day or even next-day shipping (offered via Prime) as well as two-hour delivery in specific cities across the US (offered via Prime Now) portrays a big cost factor for Amazon. To conclude, Amazon Prime can be seen as a resource that boosts both volume and cost.

Distribution and Logistics

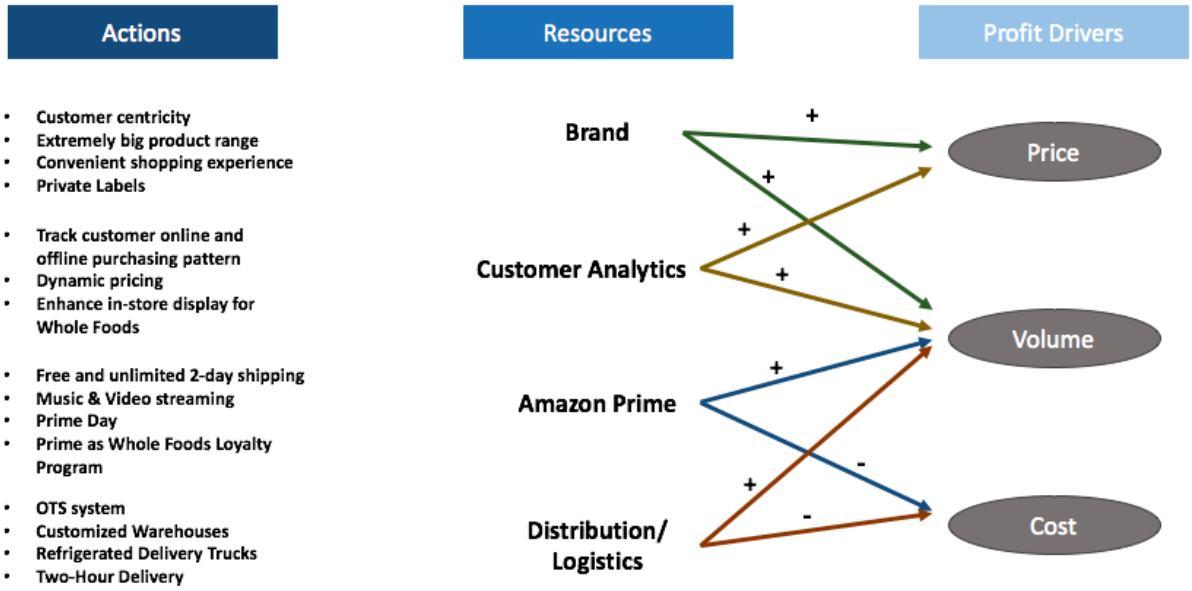
In order to be able to offer the above-mentioned free and unlimited next day shipping, Amazon needs extremely efficient distributional operations, which will be the fourth resource under consideration. A first efficient distributional action can be seen in the integration of the "OTS" software at Whole Foods that brings characteristics of in-time-delivery, because items are moved directly from trucks to shelves. This effort clearly cuts inventory costs and reduces warehouse spaces. However, extended and more sophisticated on-route operations are required to meet this flexibility.

To offer a wide assortment of products, Amazon decided both to operate own warehouses for nationally supplied foods and to contract with local suppliers, who could expand their customer base and get exposure to new segments, without investing in costly delivery. In terms of Warehouses, Amazon already runs state-of-the-art warehouse spaces with a size of 3 million m2 that are solely dedicated to Amazon Fresh operations. The recent acquisition of Whole Foods integrated eleven additional warehouses into Amazon's operations systems.

Regarding Amazon's delivery options, the company uses its own refrigerated delivery trucks that use optimized and predetermined routes, as well as exclusive partners via Amazon Flex and Amazon Logistics that solely work for Amazon and have access to the company's technology and experience. Additionally, Whole Foods and the utility of a huge brick-and-mortar network enables Amazon to extend its delivery options. Consequently, Amazon envisaged the stores to aid the distribution process and uses them as locations for in-store pick up and return as well as for parcel lockers. In order to expand its Prime Now offer, Amazon recently tested two-hour delivery directly from Whole Foods stores to people's doorsteps. In

this case, Whole Foods stores are used as depots so that Prime Now deliveries don't need to be started from Amazon's warehouses, a time saving process that speeds up delivery.

Taking the well-equipped warehouses and Amazon's delivery services, that focus on speed and reliability into account, one can clearly argue that this distribution network portrays a cost driver for the company, that also enables Amazon to increase its volume. Even the fact that Amazon partly uses just-in-time delivery for its Whole Foods markets does not particularly impact this conclusion.



Amazon's Business Model

Recommendations

The first recommendation is related to the rising eCommerce segment for food deliveries, which is expected to grow strongly. In order for Amazon to further set itself apart from competition, it is recommendable to expand the Amazon Fresh service to more cities across the US. Even though the offer exists for more than 10 years, it is currently only available in seven major American cities. Consequently, competitors might obtain a strong presence in vacant areas and foster customer loyalty. The second recommendation concerns Amazon's effort in private brands. Even though Amazon already holds a strong market position for its electronic private label products, like Amazon Echo, its private label products within the food

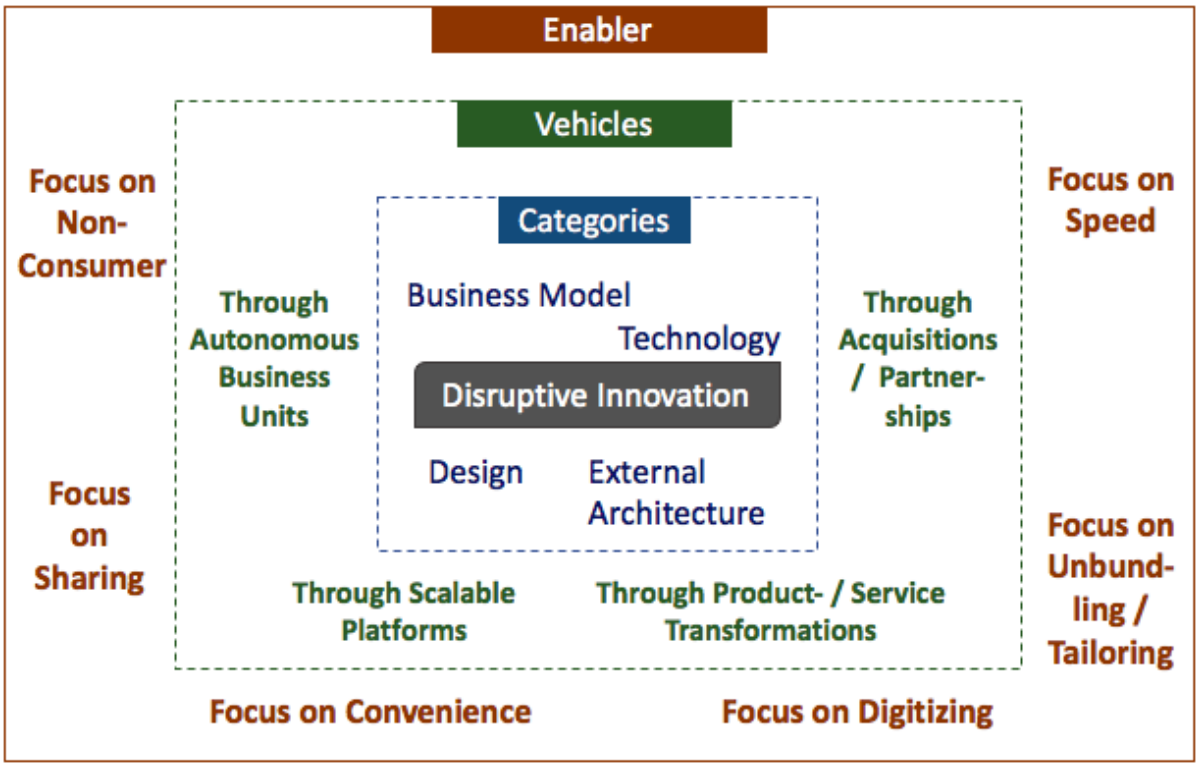
segment are still hardly comprehensive, as only 2% of all Amazon's private label products are food products. Thus, to avoid missing the recent rise of private label sales and to profit from benefits private labels bring, such as higher margins and less dependency on suppliers, it is advisable for Amazon to intensify its effort in this regard.

3. Disruptive Innovation

The following analysis will investigate Amazon's business moves and decisions in food retailing regarding their "disruptiveness". To do so, a taxonomy of disruptive innovations will be used. Disruptive Innovation can be defined as "a new product, process, or concept that transforms the demand and needs of an existing market or industry, (…) and creates whole new business practices or markets with significant societal impact." (Brown, 2003). Disruptive innovations typically begin as small-scale experiments that subsequently enhance into a superior offering and push leading incumbents out of the industry (Christensen et al., 2015).

They usually can take place in four different categories of businesses, namely business model, technology, design and external architecture, thereby touching either one ore multiple such categories (Sood et al., 2010; Hackernoon, 2018). In order to bring innovations on the road, disruptors employ four different vehicles. First, transformations of existing products, services or processes allow companies to feature them with innovations to create something novel (Furr and Snow, 2015). Second, businesses may seek for co-opt options through acquisitions or partnerships in an attempt to acquire knowledge, expertise or technologies (Marx et al., 2014). Third, through creating autonomous business units and tasking them with adopting new processes and pursuing innovative ideas, established companies can both maintain positioning and explore new opportunities (Gilbert, 2006). The fourth vehicle describes scalable platforms in which services or processes are strongly embedded. The aforementioned platform allows for accumulation of customer information and provide a convenient user experience (Reinhardt, 2018; McKinsey & Company 2015). The enabler that accompany the mentioned vehicles and help developing disruptive innovations focus on the

areas speed, non-consumer unbundling and tailoring, convenience, sharing and digitizing (Gazzola, 2018; Guo, 2018).



Taxonomy of Disruptive Innovation

4. Amazon's Disruptive Moves

In this chapter, the proposed framework of the taxonomy of disruptive innovations is used to evaluate if Amazon's offers, services and moves can be regarded as disruptions that eventually shape the food retailing landscape across the US.

The Acquisition of Whole Foods

The given vehicle - "Through Acquisitions / Partnerships" - for the given transaction clearly touches several categories within the proposed framework - the business model, design and external architecture. Through the acquisition, Amazon immediately assumed not only a network of 480 top-notch retail spaces, but also access to a complex network of multiple partners within the supply chain. The acquisition will also shape the design of how the customer will be exposed to Amazon's grocery products. This design will constantly be improved over time as Amazon also implicitly acquired valuable customer data of buying habits and patterns

that will help tailoring the grocery shopping to the individual. Another enabler that can be identified is the focus on the non-consumer, the offline shopper, for whom well-located physical retail spaces were immediately established, which also impacts convenience positively. In general, the disruptive power of this acquisition is given through the fact that acquisitions of this size are only feasible for a very limited number of industry incumbents.

Amazon Go

What clearly is special about this convenience store is the fact that it operates without cashiers, which actually brings retailer's attempts to fasten the check-out process to a new level. The fact that an existing offering (a convenience store) is equipped with new technological innovations to make cashiers redundant shows that Amazon uses the transformation vehicle that focuses both on convenience and speed within the distribution, technology and design category. As this store mainly offers foods products for immediate consumption, where time is limited (e.g. at lunch), the fact that queuing gets redundant and payment is process automatically is extremely convenient and portrays a great user experience. A first hint that this store may entail disruptive power is that it has been implemented at a small scale, as only few stores were opened for testing. Exhibit 5 demonstrates that even though America's discounters operate with lower gross margins compared to traditional markets, their overall profitability is highest, especially because of low labor costs. Having no cashiers will consequently enable Amazon Go to reduce labor, while it operates with comparable gross margins to traditional markets, which might further establish this innovation in the market.

eCommerce Platform

Since the beginning of operations in 2007, Amazon Fresh has been completely embedded into Amazon's extensive retail platform, so that the need for customer education has become redundant. Amazon used this platform vehicle to provide the customer with a great user experience that focuses on convenience as they could purchase different product types and segments at one single platform. Undoubtedly, this strategy also allows Amazon to generate

information about customers' shopping behavior that will continuously enhance the company's online offering. Taking into account the expected growth rate of the eCommerce segment (see Exhibit 3), this approach appears very valuable. It can therefore be concluded that this platform has disruptive capabilities, mainly because of its giant size. However, incumbents in general also have access to customer data and are able to adjust offerings accordingly.

Amazon Flex

From a retailer's perspective, a problem associated with last mile delivery is the dependence on third party delivery partners. Thus, Amazon used the partnership-vehicle that focuses on the sharing approach within the external architecture category and started to recruit amateur drivers via Amazon Flex to deliver food packages. Drivers can independently choose their shifts in an app-based software that alerts when delivery opportunities exist. Through using on-time mobile crowd-sourcing, delivery drivers nearby can meet demand so that Amazon can handle peak hours and the overall speed of process will be improved. Consequently, Amazon reduces capital investments and dependence on external logistic partners that operate with multiple customer. Without doubt, this method provides Amazon with more control for its own operations and definitely entails disruptive power.

To sum up, one may conclude that Amazon's disruptive efforts so far already touch different parts of the company's Omnichannel offering. Both analogue and digital mechanisms are used and mainly focus on speed and convenience. Without doubt, the acquisition of Whole Foods will provide Amazon access to a completely new customer base in the organic segment, which is forecasted to grow strongly. This will positively impact the company's brand image. In general, all these efforts will allow Amazon to further shape its generic competitive strategies to eventually sustain its competitive advantage.

Appendix

Exhibit 1: Segment Definitions (Willard Bishop Analytics, 2017)

Traditional Grocery

Traditional Supermarkets
Stores offering a full line of groceries, meat, and produce with at least $2 million in annual sales. These stores typically carry anywhere from 15,000 to 60,000 SKUs (depending on the size of the store), and may offer a service deli, a service bakery, and/or a pharmacy.

Fresh Format
Different from traditional supermarkets and traditional natural food stores, fresh stores emphasize perishables and offer center-store assortments that differ from those of traditional retailers—especially in the areas of ethnic, natural, and organic.

Limited Assortment Store
A low-priced grocery store that offers a limited assortment of center-store and perishable items (fewer than 2,000), e.g., Aldi, Trader Joe's, and Save-A-Lot.

Super Warehouse
A high-volume hybrid of a large Traditional Supermarket and a Warehouse store. Super Warehouse stores typically offer a full range of service departments, perishables, and reduced prices, e.g., Cub Foods, Food 4 Less, and Smart & Final.

Other (Small Grocery)
A small corner grocery store that carries a limited selection of staples and other convenience goods. These stores generate less than $2 million in business annually.

Non-Traditional Grocery

Wholesale Club
A membership retail/wholesale hybrid with a varied selection and limited variety of products presented in a warehouse-type environment. These ~120,000 square- foot stores have a grocery line dedicated to large sizes and bulk sales. Memberships include both business accounts and consumer groups.

Supercenter
A hybrid of a large Traditional Supermarket and a Mass Merchandiser. Supercenters offer a wide variety of food, as well as non-food merchandise. These stores average more than 170,000 square feet and typically devote as much as 40% of the space to grocery items, e.g., Walmart Supercenter.

Dollar
A small store format that traditionally sold staples and knickknacks, but now sells food and consumable items at aggressive price points that account for at least 20%, and up to 66%, of their volume, e.g., Dollar General, Dollar Tree, and Family Dollar.

Mass
A large store selling primarily hardlines, clothing, electronics, and sporting goods, but also carries grocery and non-edible grocery items. This channel includes traditional Walmart, Kmart, and Target stores, etc.

Military
A format that looks like a conventional grocery store carrying groceries and consumables, but is restricted to use by active or retired military personnel. Civilians may not shop at these stores (referred to as commissaries).

eCommerce
Food and consumable products ordered using the internet via any device, regardless of the method of payment or fulfillment. This channel includes Amazon and Peapod as well as the eCommerce business generated by traditional brick-and-mortar retailers.

Drug
A prescription-based drug store that generates 20% or more of its total sales from consumables, general merchandise, and seasonal items. This channel includes major chain drug stores such as Walgreens and CVS, but does not include stores/chains, e.g., that sell prescriptions almost exclusively.

Convenience Stores

Convenience Stores
A small, higher-margin store that offers an edited selection of staple groceries, non-foods, and other convenience food items, e.g., ready-to-heat and ready- to-eat foods. The Convenience Store with Gas format includes only Convenience Stores that sell gasoline, e.g., ExxonMobil (On the Run), AM/PM, etc.

Convenience Stores (w/o gas)
Small, higher-margin Convenience Stores that don't sell gas and offer an edited selection of staple groceries, non- foods, and other convenience food items, e.g., ready- to-heat and ready-to-eat foods. Stores such as 7-Eleven without gasoline pumps are included.

Exhibit 2: Dollar Shares by Channel (Willard Bishop Analytics, 2017)

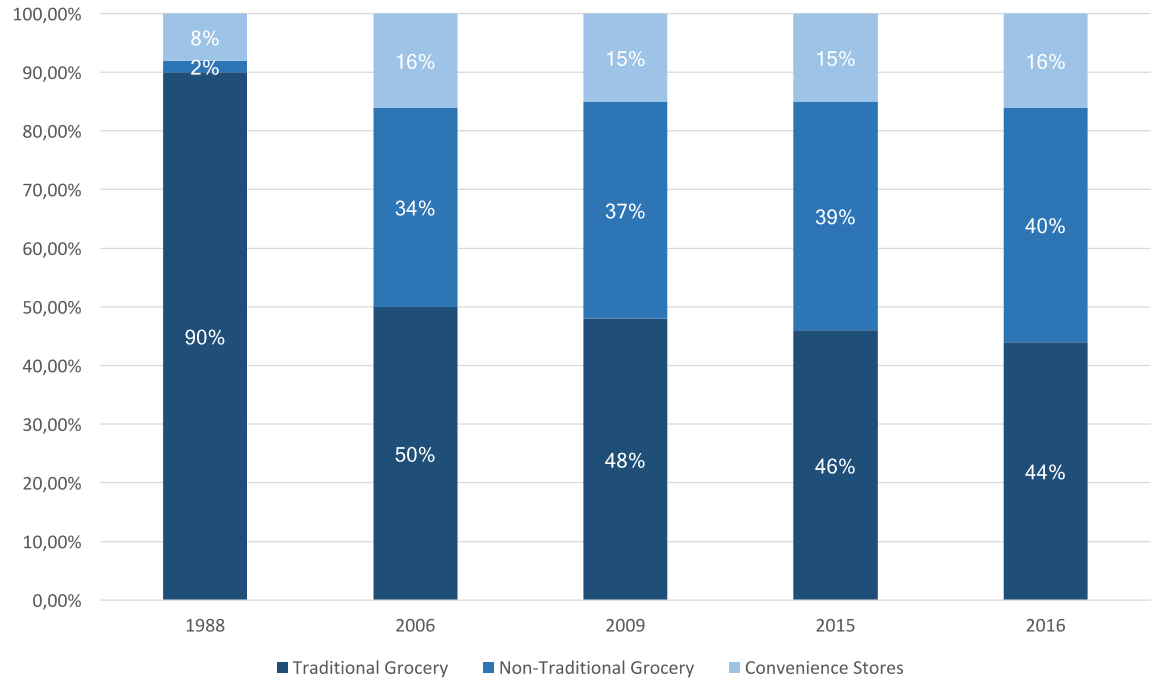


Exhibit 3: Percentage Growth Outlook 2021 by format (Willard Bishop Analytics, 2017)

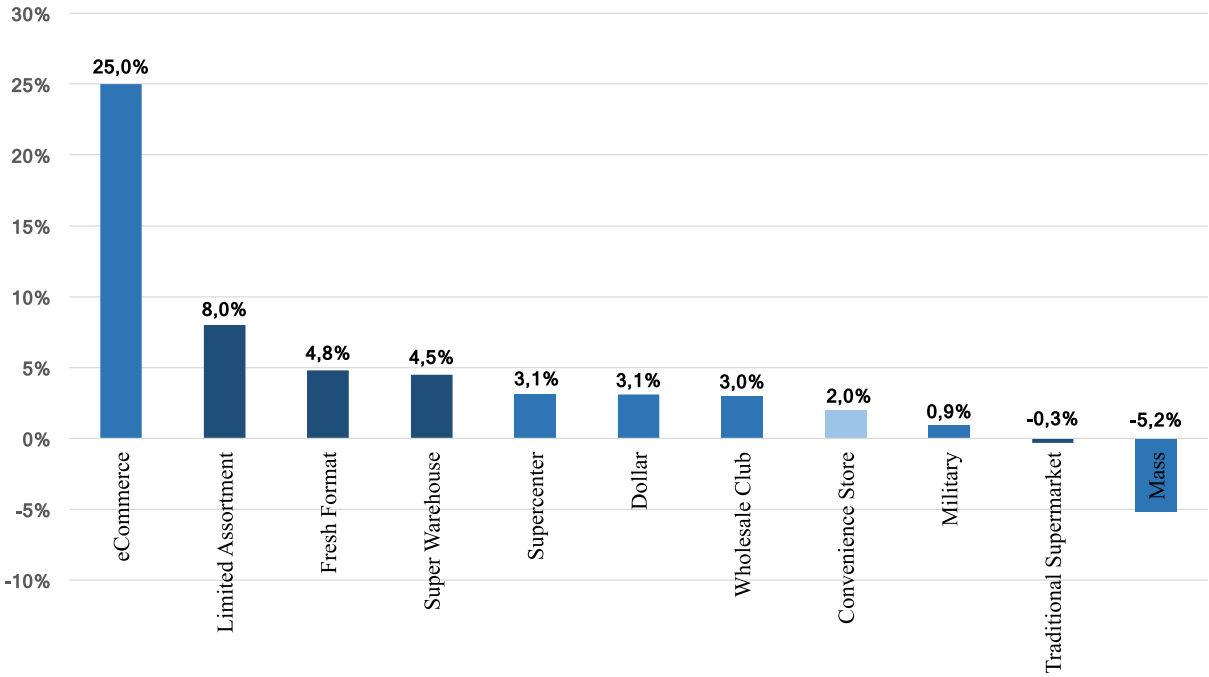


Exhibit 4: Revenues (in Billion US$) and Market Shares of US Grocery Retail Chains (2017) (Statista, 2018b)

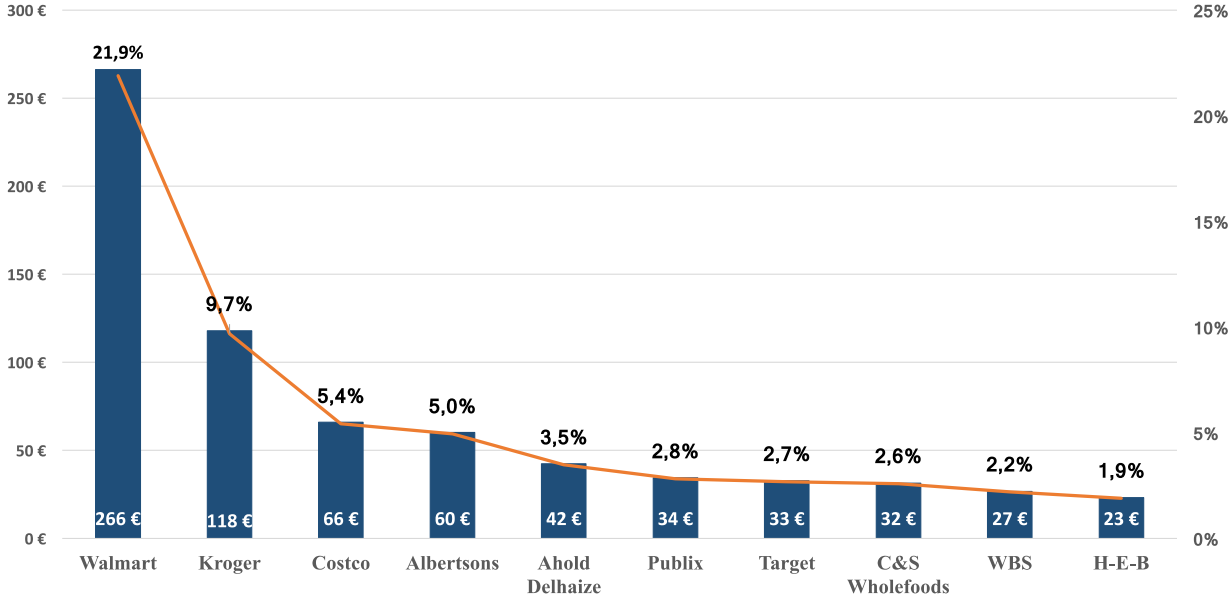


Exhibit 5: Cost Advantage of Low-Cost Competitors (Oliver Wyman, 2015)

	Traditional Supermarket	Hypermarket	Discounter
Sales	100 %	100 %	100 %
Cost of Goods Sold	-69.0 %	-73.5 %	-81.0 %
Gross Margin	**31 %**	**26.5 %**	**19 %**
Store Labor Cost	-13.5 %	-12.5 %	-4 %
Central Costs	-14 %	-12.5 %	-8 %
EBITDA	**3.5 %**	**1.5 %**	**7 %**

Exhibit 6: Customer Perception Map (Oliver Wyman, 2015)

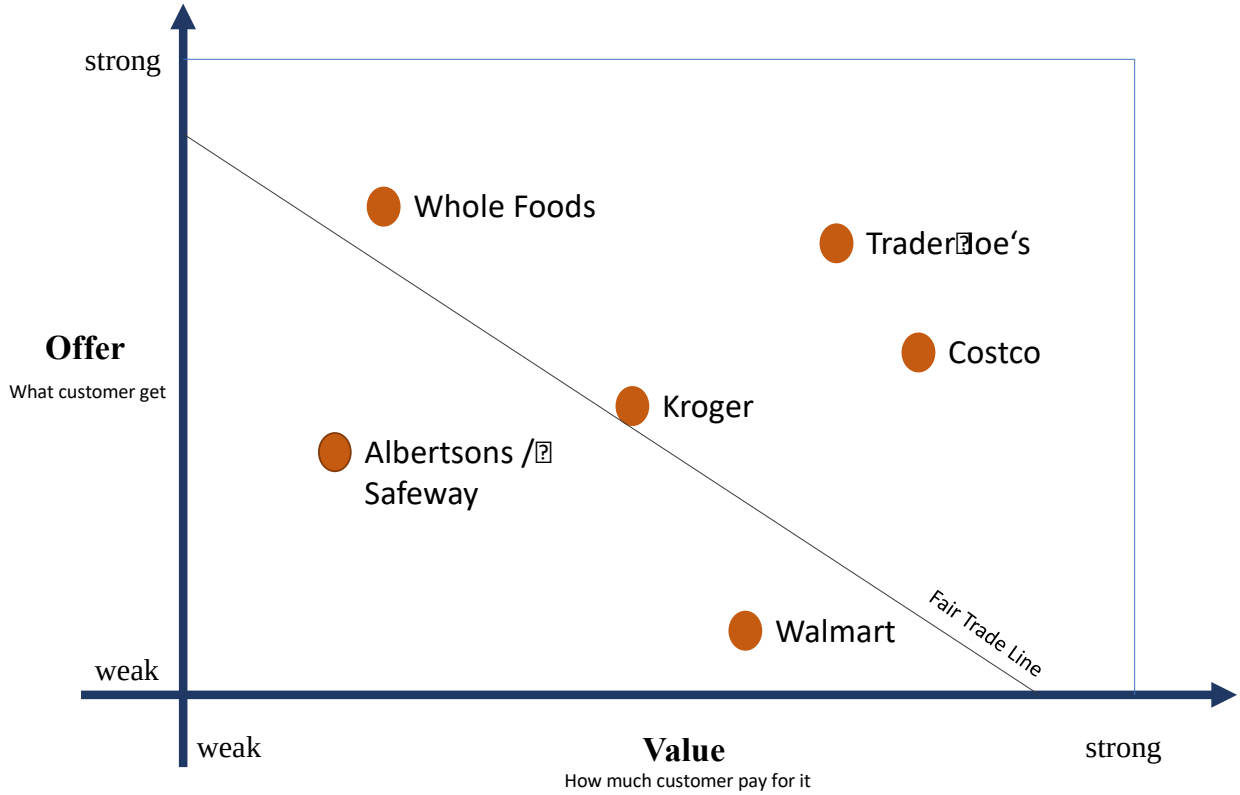


Exhibit 7: Amazon - Revenues by Product Category & Category Growth Rates (E-Marketer Retail, 2018b)

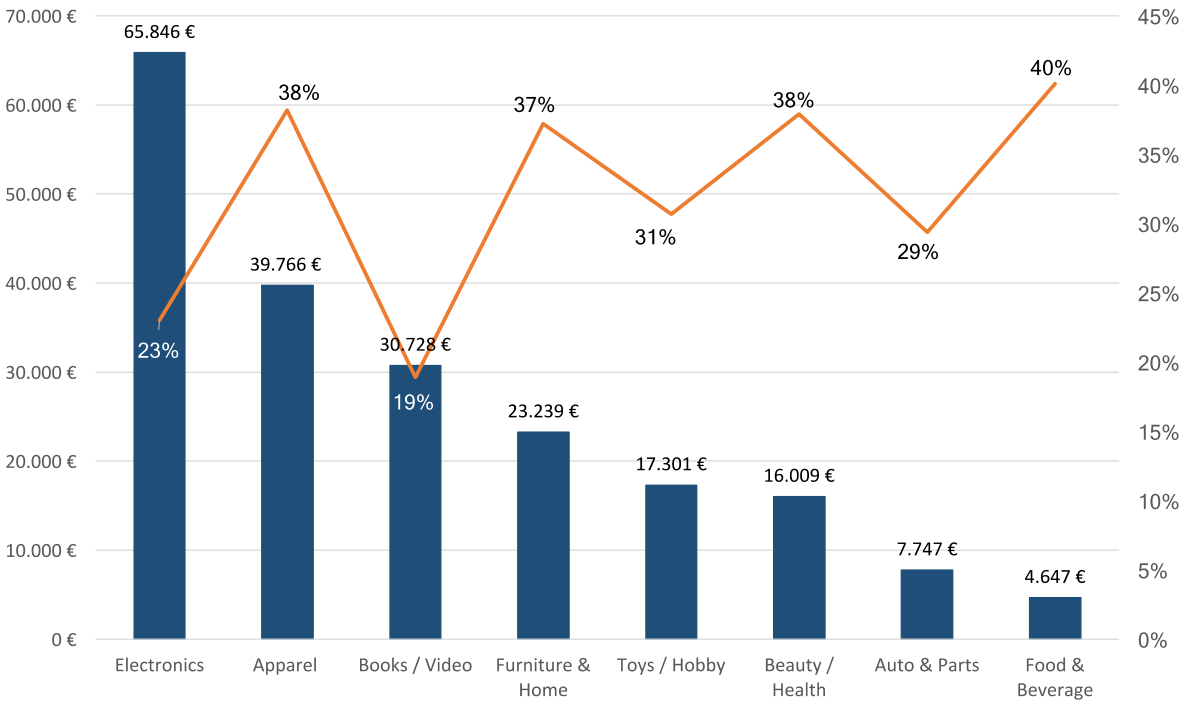


Exhibit 8: Whole Foods - Revenues & Revenue Growth (eMarketer Retail, 2018a)

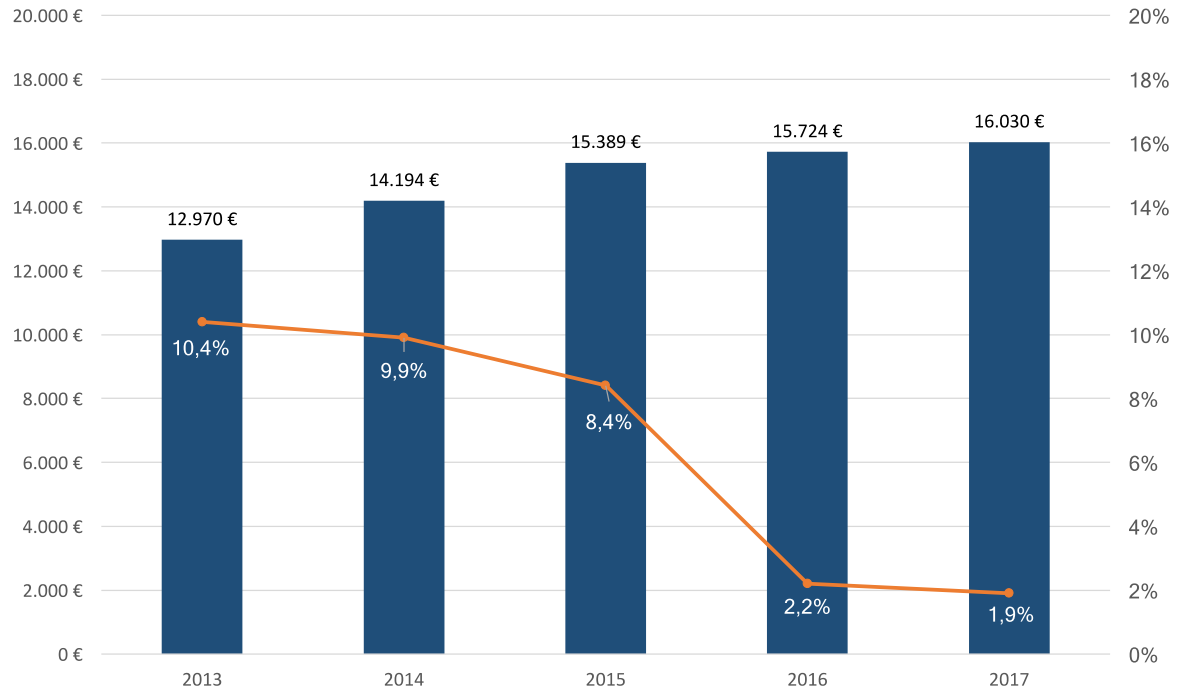
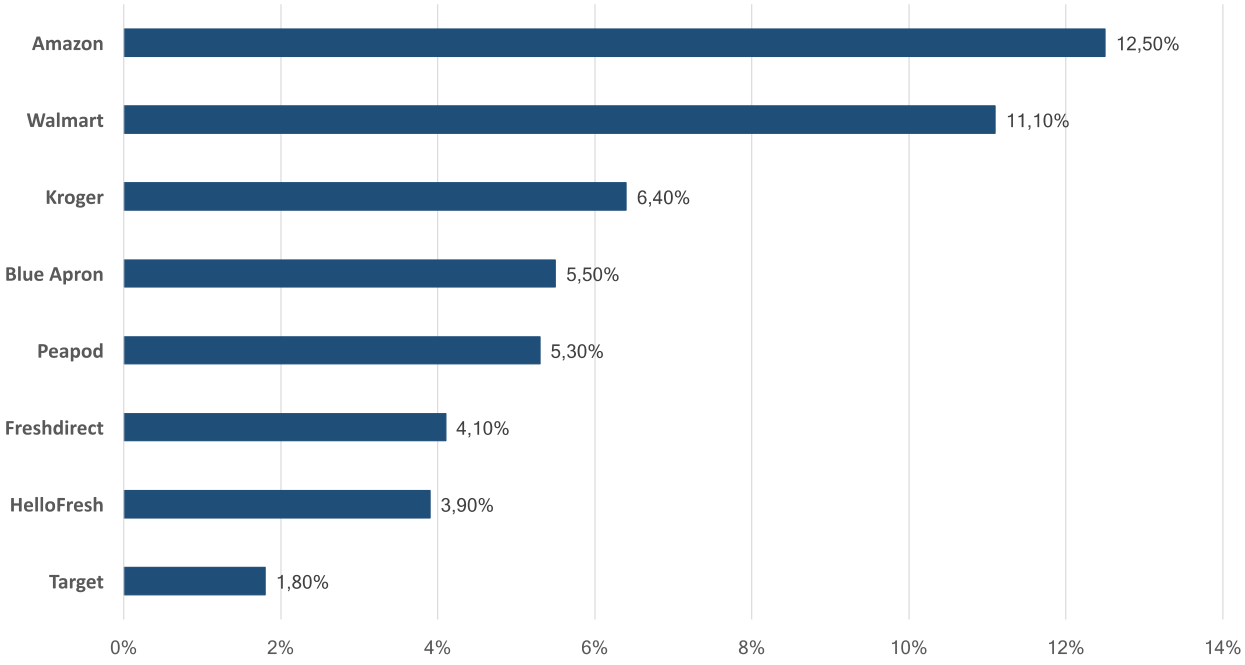


Exhibit 9: Omni-Channel Services offered at Food Retail Stores (eMarketer Retail, 2018c)

	2017	2018	Change
Mobile Shopping Apps	29.6%	54.2%	24.6%
Click & Collect	22.5%	31.8%	9.3%
Third-Party Home Delivery	16.9%	31.8%	14.9%
Store-Supported Home delivery	14.1%	28.0%	13.9%
Curbside Delivery	18.3%	30.8%	12.5%
In-Store Mobile Product Scanning	8.5%	24.3%	15.8%
Ordering Kiosks	2.8%	16.8%	14%

Exhibit 10: US Online Grocery Market - Market Shares (Statista, 2017b)



References

Alvarez, Jose B., Lane, David and Coughlin, Joni, 2017. *Amazon buys Whole Foods* (PDF). Case Study. Harvard Business Review. pp. 5-12. URL: https://hbr.org/product/amazon-buys-whole-foods/518056-PDF-ENG (visited 29.09.2018, via Nova SBE Library)

Amazon.com, 2018a. *Working at Amazon*. URL: https://www.amazon.jobs/en/working/working-amazon (visited: 15.10.2018)

Amazon.com, 2018b. *Prime Insider*. URL: https://www.amazon.com/primeinsider/tips/whole-foods-perks.html (visited: 23.10.2018)

Amazon.com, 2018c. *Prime Now*. URL: https://primenow.amazon.de/onboard?sourceUrl=%2Fhome (visited: 12.10.2018)

Amazon.com, 2018d. *Amazon Flex*. URL: https://flex.amazon.com/about (visited: 31.10.2018)

Amazon.com, 2018e. *Amazon Logistics*. URL: https://logistics.amazon.com (visited: 31.10.2018)

Bain & Company, 2017. *Getting Ready to Battle Grocery's Hard Discounters* (PDF). p.1. URL: https://www.bain.com/de/insights/getting-ready-to-battle-grocerys-hard-discounters/ (visited: 13.10.2018)

Bloomberg, 2017. *The price war over American groceries is getting bloody*. URL: https://www.bloomberg.com/news/features/2017-06-27/the-price-war-over-american-groceries-is-getting-bloody (visited: 16.10.2018)

Bloomberg, 2018. *Amazon's market capitalization*. https://www.bloomberg.com/quote/AMZN:US (visited 29.10.2018)

Brown, John Seely, 2003. *Innovating Innovation*. URL: http://www.johnseelybrown.com/fwd_openinnovation.html (visited: 14.11.2018)

Business Insider, 2017. *A close look at Americans' food budget shows an obvious place to save money*. URL: https://www.businessinsider.com/americans-spending-food-bls-2017-2 (visited: 28.10.2011)

Business Insider, 2018a. *Kroger is rolling out a new technology to nearly 200 stores that could change grocery shopping as we know it*. URL: https://www.businessinsider.com/kroger-is-rolling-out-digital-shelf-technology-2018-1 (visited: 14.11.2018)

Business Insider, 2018b. *Amazon Prime members spend a whole lot more on the site than non-members*. URL: https://www.businessinsider.com/is-amazon-prime-worth-it-2017-7 (visited: 31.08.2018)

Business Insider, 2018c. *Amazon delivers groceries directly from Whole Foods*. URL: https://www.businessinsider.com/amazon-delivers-groceries-directly-from-whole-foods-2018-2 (visited: 24.10.2018)

Business Insider, 2018d. *Amazon wants to open 3,000 cashier-less grocery stores — and they'll have a major advantage over their competitors.* URL: https://www.businessinsider.com/amazon-go-open-3000-automated-stores-2018-9 (visited: 20.11.2018)

Business Insider, 2018e. *'Seeing someone cry at work is becoming normal': Employees say Whole Foods is using 'scorecards' to punish them.* URL: https://www.businessinsider.de/how-whole-foods-uses-scorecards-to-punish-employees-2018-1?r=US&IR=T (visited: 15.11.2018)

Christensen, H. Kurt, Fahey, Liam, 1984. *Building distinctive competences into competitive advantage*. Strategic Planning Management, No. 15, pp. 113-23

Christensen, Clayton, Raynor, Michael E., and McDonald, Rory, 2015. *What is disruptive innovation?* Harvard Business Review. URL: https://hbr.org/2015/12/what-is-disruptive-innovation (visited: 14.11.2018)

CNN Business, 2018. *Amazon-Whole Foods one year later: The grocery business will never be the same*. URL: https://money.cnn.com/2018/08/28/technology/business/amazon-whole-foods-365-walmart-kroger-costco-grocery/index.html (visited: 15.11.2018)

Cool, Karel and Daviron, Olivier, 2018. *Under Armour and the Sports Apparel and Footwear Industry in 2017.* INSEAD Case Publishing.
URL: https://cases.insead.edu/publishing/case?code=37069 (visited: 14.12.2018)

Cotte, June and Mark, Ken, 2018. *Amazon.Com: Conquering grocery's last mile*. Case Study. Harvard Business Review. pp. 2-5. URL: https://hbr.org/product/amazon-com-conquering-grocery-s-last-mile/W18254-PDF-ENG?autocomplete=true (visited 29.09.2018, via Nova SBE Library)

Deloitte, 2016. *Capitalizing on the shifting consumer food value equation* (PDF). pp. 8-11. URL: https://www2.deloitte.com/content/dam/Deloitte/us/Documents/consumer-business/us-fmi-gma-report.pdf (visited: 03.11.2018)

Duff & Phelps, 2016. *Industry Insights: Food Retail Industry Insights – 2016* (PDF). pp. 4-7. URL: https://www.duffandphelps.com/-/media/assets/pdfs/publications/mergers-and-acquisitions/industry-inserts/consumer/food-retail-industry-insights-2016 (visited 23.09.2018)

Economic Times, 2015. *Jeff Bezos plans to sell fancy clothes with amazons branding*. URL: https://economictimes.indiatimes.com/industry/services/retail/jeff-bezos-plans-to-sell-fancy-clothes-with-amazons-branding/articleshow/46307350.cms (visited 16.11.2018)

Edge Retail Inside, 2018. *Amazon paves the way for grocery private labels*. URL: https://www.planetretailrng.com/news-and-events/amazon-paves-way-grocery-private-labels (visited: 20.11.2018)

eMarketer Retail, 2018a. *Whole Foods Market* (Infographic). URL: https://retail-index.emarketer.com/company/data/5374f24e4d4afd2bb4446642/5374f2b34d4afd824cc15ed0/lfy/false/whole-foods-market-revenues-sales (visited: 09.11.2018)

eMarketer Retail, 2018b. *Groceries are Amazon's fastest-growing categories*. URL: https://retail.emarketer.com/article/groceries-amazons-fastest-growing-category/5b524862ebd4000b241409a9?ecid=NL1014 (visited: 09.11.2018)

eMarketer Retail, 2018c. *Amazon moves to leverage its brick and mortar footprint*. URL: https://retail.emarketer.com/article/amazon-moves-leverage-its-brick-and-mortar-footprint/5b6c6e72ebd40005bc4dc75a (visited: 09.11.2018)

Epsilon Conversant, 2018. *How to win in the Amazon Era* (Infographic). URL: http://img03.en25.com/Web/EpsilonDataManagementLlc/%7Bd07fa263-a086-4e35-b562-d2904676ed84%7D_Amazon_Infographic.pdf (visited: 02.11.2018)

Forbes, 2017. *Discount Grocery Retail On The Rise: Five Strategies For Traditional Brick & Mortar*. URL: https://www.forbes.com/sites/chrismorley/2017/08/11/discount-grocery-retail-on-the-rise-five-strategies-for-traditional-brick-mortar/#303aa6e75480 (Visited: 15.10.2018)

Forbes, 2018a. *Online Grocery set to boom in 2018*. URL: https://www.forbes.com/sites/deborahweinswig/2018/03/01/online-grocery-set-to-boom-in-2018-as-amazon-acknowledges-online-grocery-a-tough-market-to-crack/#200d0418520b (visited: 16.11.2018)

Forbes, 2018b. *Amazon Will Win the Grocery Wars. Here's Why*. URL: https://www.forbes.com/sites/brittainladd/2018/06/25/amazon-whole-foods-and-the-march-to-dominance/#43236bc03aaf (visited: 01.10.2018)

Forbes, 2018c. *The Future Of Brick-And-Mortar: Enhancing The Customer Experience.* URL: https://www.forbes.com/sites/forbescommunicationscouncil/2018/01/23/the-future-of-brick-and-mortar-enhancing-the-customer-experience/#18b4d5c93ce3 (visited: 12.10.2018)

Fung Global Retail and Technology (FGRT), 2017. *Deep Dive: Private Label in US Grocery - Five Drivers of Growth* (PDF). pp. 4-6. URL: https://www.fungglobalretailtech.com/wp-content/uploads/2017/10/Private-Label-in-US-Grocery—Five-Drivers-of-Growth-October-4-2017.pdf (visited: 24.09.2018)

Furr, Nathan and Snow, Daniel, 2015. *The Prius approach*. Harvard Business Review. URL: https://hbr.org/2015/11/the-prius-approach (visited: 14.11.2018)

Future Stores, 2018. *Amazon Go Is in Prime Position to Disrupt In Store Retail*. URL: https://futurestoreseast.wbresearch.com/can-amazon-go-disrupt-in-store-retail-ty-u (visited: 07.11.2018)

Gazzola, Patrizia, 2018. *Behind the Sharing Economy: Innovation and Dynamic Capability.* Knowledge Management in the Sharing Economy, No. 6, Springer International Publishing

Gilbert, Clark G., 2006. *Change in the presence of residual fit: Can competing frames coexist?*. Organization Science, No. 17, pp. 150–67

Gluck, Frederick W., Kaufmann, Stephen P., Walleck, A. Steven, 1980. *"Strategic Management for Competitive Advantage"*. Harvard Business Review, No. 7, pp. 23-30

Grocerydive, 2018. *Amazon is quickly - and quietly - developing private label brands*. URL: https://www.grocerydive.com/news/grocery--amazon-is-quickly-and-quietly-developing-private-label-brands/533895/ (visited: 20.11.2018)

Guo, Jianfeng, Pan, Jiaofeng, Guo, Jianxin, Gu, Fu and Kuusisto, Jari (2018). *Measurement framework for assessing disruptive innovations.* Technological Forecasting & Social Change, No. 132. pp. 2-14

Hackernoon, 2018. *An Innovation Taxonomy*. URL: https://hackernoon.com/an-innovation-taxonomy-d1ed0751b92b (visited: 14.11.2018)

Hartmann Group, 2017. *Food Retail Implications for U.S Grocery Shopper Trends* (PDF). pp. 9-11. URL: https://www.fmi.org/docs/default-source/webinars/trends-2017-webinar-7-18-2017.pdf (visited 26.09.2018)

Ibis World, 2018. *Supermarket & Grocery Stores Industry in the US.* URL: https://www.ibisworld.com/industry-trends/market-research-reports/retail-trade/food-beverage-stores/supermarkets-grocery-stores.html (Visited: 23.09.2018)

Kim, W. Chan, Mauborgne, Renee and Koo, Oh Young, 2017. *Success and Failures of Amazon's Growth Strategies* (PDF). Case Study. Harvard Business Review. pp. 5-6 URL: https://hbr.org/product/successes-and-failures-of-amazons-growth-strategies-causes-and-consequences/IN1397-PDF-ENG (visited: 29.09.2018, via Nova SBE Library)

Marketingcharts, 2018. *Here's Why People Shop on Amazon – And Why They'd Shop Elsewhere Too.* URL: https://www.marketingcharts.com/industries/retail-and-e-commerce-82536 (visited: 02.11.2018)

MarketLine, 2018. *Food & Grocery Retail in the United States 2018* (PDF). URL: https://store.marketline.com/report/ohmf2329--food-grocery-retail-in-north-america/ (visited: 03.10.2018, via Nova SBE Library)

Marx, Matt, Gans, Joshua S., and Hsu, David H., 2014. *Dynamic commercialization strategies for disruptive technologies: Evidence from the speech recognition industry*. Management Science, No. 60, pp. 3103–23

McDonald, Rory and Christensen, Clayton, 2014. *Amazon Fresh, Rekindling the Online Grocery Market* (PDF). Case Study. Harvard Business Review. p. 6. URL: https://www.hbs.edu/faculty/Pages/item.aspx?num=47694 (visited: 29.09.2018, via Nova SBE Library)

McKinsey & Company, 2015. *Competition at the digital edge: 'Hyperscale' businesses*. URL: https://www.mckinsey.com/industries/high-tech/our-insights/competition-at-the-digital-edge-hyperscale-businesses?fbclid=IwAR2P58-MIfT5MKt4d16nchnwd_231TyWP8wxSWC0YeM3JULrzkqXr75PkLs (visited: 14.11.2018)

McKinsey & Company, 2017. *The Future of Grocery in Store and Online*. URL: https://www.mckinsey.com/industries/retail/our-insights/the-future-of-grocery-in-store-and-online (visited: 13.10.2018)

New York Times, 2018. *Amazon's Ripple Effect on Grocery Industry: Rivals Stock Up on Start-Ups.* URL: https://www.nytimes.com/2018/08/21/technology/amazon-grocery-boxed-aeon.html (visited: 23.10.2018)

Oh, Wong Yong, 2018. *Amazon.com: Evolving into offline Retail* (PDF). Case Study. Harvard Business Review. p.1. URL: https://hbr.org/product/amazoncom-evolving-into-offline-retail/W18088-PDF-ENG (visited: 29.09.2018, via Nova SBE Library)

Oliver Wyman, 2015. *Retail Journal* (PDF). URL: https://www.oliverwyman.com/our-expertise/insights/2015/nov/the-oliver-wyman-retail-journal-vol--4.html (visited: 12.11.2018)

Oliver Wyman, 2017. *How Amazon is assembling the Future of Grocery*. URL: https://www.oliverwyman.com/our-expertise/insights/2017/aug/how-amazon-is-assembling-the-future-of-grocery.html (visited: 26.09.2018)

Porter, Michael E., 1979. *How Competitive Forces Shape Strategy*. Harvard Business Review, No. 57, pp.137-145

Porter, Michael E., 1985. *Competitive Advantage. Creating and Sustaining Superior Performance.* New York: Free Press, pp. 11-18

Porter, Michael E., 1998. *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Free Press, pp. 33-37

Porter, Michael E., 2008. *The Five Competitive Forces That Shape Strategy*. Harvard Business Review, No. 13, pp. 25-40

Rao, Akshay R., Bergen, Mark E. and Davis, Scott, 2000. *How to Fight a Price War*. Harvard Business Review. URL: https://hbr.org/2000/03/how-to-fight-a-price-war (01.10.2018)

Reinhardt, Ronny and Gurtner, Sebastian, 2018. *The overlooked role of embeddedness in disruptive innovation theory*. Technological Forecasting & Social Change, No. 132, pp. 268-283

Reuters, 2017. *Even with Whole Foods, Amazon would need many more warehouses to reshape grocery delivery*. URL: https://www.reuters.com/article/us-whole-foods-m-a-amazon-com-logistics-idUSKBN19E2OK (visited: 02.10.2018)

Sood, Ashis and Tellis, Gerad J., 2010. *Demystifying Disruption: A New Model for Understanding and Predicting Disruptive Technologies*. Marketing Science Institute, Report No. 10-102, pp. 3-4

Statista, 2017a. *Distribution share of in-store and online grocery shopping in the United States in 2017.* URL: https://www.statista.com/statistics/259021/us-distribution-of-in-store-and-online-grocery-shopping/ (visited: 16.01.2018)

Statista, 2017b. *Marktanteil der führenden Unternehmen im online Lebensmittelhandel in den USA.* URL: https://de.statista.com/statistik/daten/studie/941850/umfrage/marktanteil-der-fuehrenden-unternehmen-im-online-lebensmittelhandel-in-den-usa/ (visited: 07.11.2018)

Statista, 2018a. *Online grocery shopping sales in the United States from 2012 to 2021 (in billion U.S. dollars).* URL: https://www.statista.com/statistics/293707/us-online-grocery-sales/ (visited: 21.10.2018)

Statista, 2018b. *Umsatz der führenden Lebensmittelhändler in den USA*. URL: https://de.statista.com/statistik/daten/studie/516520/umfrage/umsatz-der-der-fuehrenden-lebensmittelhaendler-in-den-usa/ (visited: 23.10.2018)

Statista, 2018c. U*.S. Organic Food Consumption and Industry - Statistics & Facts*. URL: https://www.statista.com/topics/1047/organic-food-industry/ (visited: 19.11.2018)

Statista, 2018d. *Number of Loyalty Program Memberships USA.* URL: https://www.statista.com/statistics/724013/number-loyalty-program-memberships-usa/ (visited: 17.10.2018)

Strategy&, 2012. *Four Forces Shaping Competition in Grocery Retailing* (PDF). pp. 2-4. URL: https://www.strategyand.pwc.com/media/uploads/Strategyand_Four-Forces-Shaping-Competition-in-Grocery-Retailing.pdf (visited: 08.10.2018)

The Atlantic, 2017. *The Paradox of American Restaurant*. URL: https://www.theatlantic.com/business/archive/2017/06/its-the-golden-age-of-restaurants-in-america/530955/ (visited: 23.10.2018)

The Conversation, 2018. *Will Amazon do to the grocery industry what it did to ecommerce?* URL: https://theconversation.com/will-amazon-do-to-the-grocery-industry-what-it-did-to-ecommerce-96874 (visited: 17.09.2018)

Times Union, 2018. *More grocery stores utilizing loyalty programs, promotions*. URL: https://www.timesunion.com/living/article/More-grocery-stores-utilizing-loyalty-programs-12546598.php (visited: 17.10.2018)

United States Department of Agriculture (USDA), 2017. *Market Concentration and Retail Markups: Evidence from Commissary Data* (PDF). pp. 2-5. URL: https://www.usda.gov/oce/forum/past_speeches/2017/2017_Speeches/Richard_Volpe.pdf (visited: 04.10.2018)

United States Department of Agriculture (USDA), 2018a. *Ag and Food Sectors and the Economy.* URL: https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/ag-and-food-sectors-and-the-economy/ (visited: 04.10.2018)

United States Department of Agriculture (USDA), 2018b. *Organic Market Overview*. URL: https://www.ers.usda.gov/topics/natural-resources-environment/organic-agriculture/organic-market-overview.aspx (visited: 7.10.2018)

United States Department of Agriculture (USDA), 2018c. *Food Price Outlook*. URL: https://www.ers.usda.gov/data-products/food-price-outlook/ (02.10.2018)

US News, 2018. *America's Best Leaders: Jeff Bezos, Amazon.com CEO.* URL: https://www.usnews.com/news/best-leaders/articles/2008/11/19/americas-best-leaders-jeff-bezos-amazoncom-ceo (visited: 23.10.2018)

Visualcapitalist, 2018. *Amazon's Massive Distribution Network in One Giant Visualization* (Infographic). URL: http://www.visualcapitalist.com/footprint-all-amazons-warehouses/ (visited: 02.10.2018)

Wells, John R., Danskin, Galen and Ellsworth, Gabriel, 2015. *Amazon.com, 2018* (PDF). Case Study. Harvard Business Review. URL: https://hbr.org/product/amazon-com-2018/716402-PDF-ENG (visited: 29.09.2018, via Nova SBE Library)

Willard Bishop Analytics, 2017. *2017 Future of Food Retailing* (PDF). URL: http://willardbishop.com/wp-content/uploads/2014/02/The-Future-of-Food-Retailing-2017-Final.pdf (visited 28.09.2018)

Wright, Peter, Kroll, Mark, Tu, Howard and Helms, Marilyn, 1991. *Generic Strategies and Business Performance: an Empirical Study of the Screw Machine Products Industry.* British Journal of Management, No. 2, pp. 57-65